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MEMORANDUM

To: Public Service Commission

From: Division of Public Utilities  
Philip Powlick, Director  
Energy Section  
Doug Wheelwright, Rate Analyst  
Marlin H. Barrow, Technical Consultant  
Artie Powell, Manager

Date: April 21, 2009

Subject: Docket No. 09-057-09, One-Time 191.1 Account Refund

**ISSUE:**

On April 16, 2009, Questar Gas Company (QGC) filed an application with the Utah Public Service Commission (PSC) for an Adjustment to the 191.1 Balancing Account by Means of a Special One-Time Refund and Request for Expedited Treatment.

**RECOMMENDATION: APPROVAL**

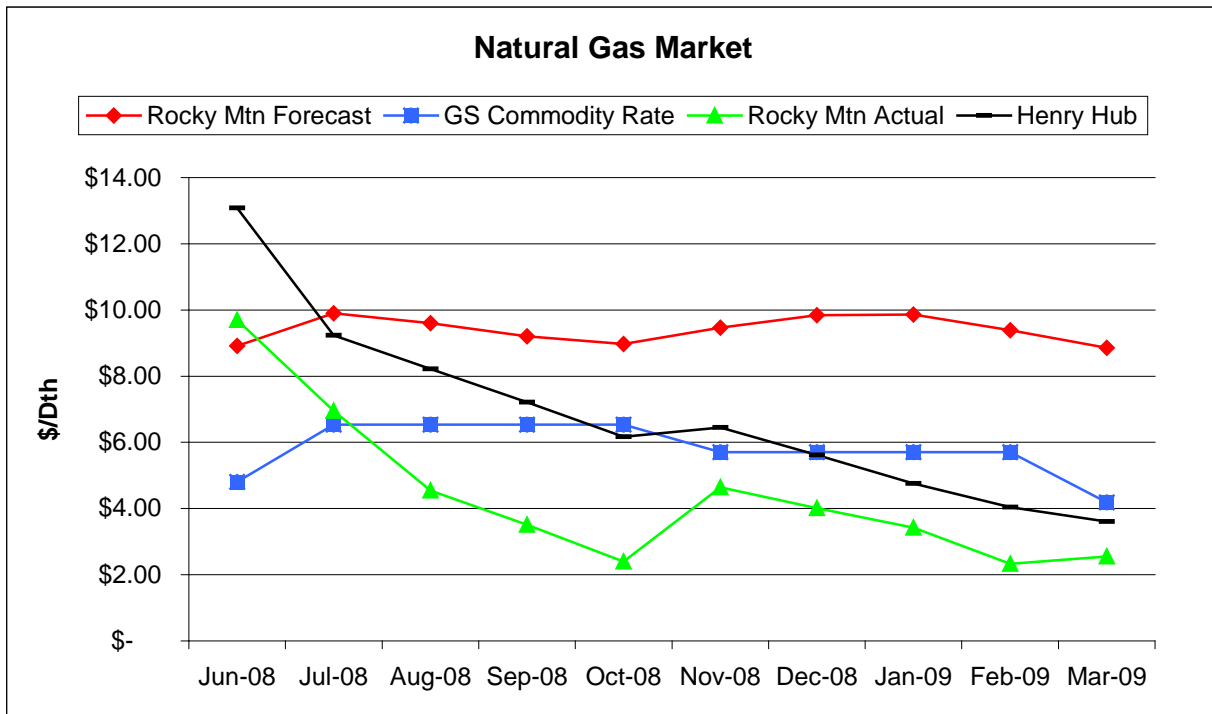
The Division of Public Utilities (Division) has reviewed the application and recommends approval of the one-time refund of \$50 million as filed.

**DISCUSSION:**

As noted in the filing, this request by QGC for a one-time refund is due to the over collection of gas costs from customers that has accrued in the 191.1 account balance during the time period from October 2008 through March 2009. This over collection is reflected on line 81 of Exhibit 1.1 filed with the application which shows the balance accruing from a \$3.1 million under-collection in September 2008 to a \$96.1 million over-collection at the end of March 2009.

**Natural Gas Price History**

A brief review of the recent history of the price of natural gas during the past fifteen months can demonstrate how this over collection in the 191 account balance occurred. This history is reflected in the following graph.



On June 5, 2008, QGC filed an application with the PSC to adjust their natural gas rates, effective July 1, 2008, based on the Rocky Mtn Forecast shown in the graph.<sup>1</sup> At that time, QGC requested only to increase the rates about 50% from what the Rocky Mountain forecast indicated should have been the required rate increase. As shown in the graph, the Rocky Mtn as well as the national Henry Hub actual prices began declining in July 2008. In response to this trend, on October 2, 2008, QGC filed an application with the PSC to decrease their natural gas rates, effective November 1, 2008<sup>2</sup>. That decrease was based on a forecast that, although lower than the previous June forecast, still projected higher prices than what actually occurred during this past winter heating season. It was during this winter heating season that the over-collected balance in the 191.1 account began to grow. Again on February 10, 2009, QGC filed an application with the PSC to decrease their natural gas rates, effective March 1, 2009<sup>3</sup>. This latest request included a \$0.62/Dth amortization credit to the commodity rates to begin refunding this over collection. By the end of March 2009, this over-collected balance had grown to the \$96 million amount shown on line 81 of Exhibit 1.1.

### **Process**

Based on current market prices, QGC has opted not to increase the current \$0.62/Dth amortization credit rate, but instead, provide a one-time refund of \$50 million back to customers based on those customers actual usage of natural gas during the October 2008 through March 2009 time period. This credit amount is based on those individual customers in the GS, GSS and F1 rate classes total usage during the October 2008-March 2009 time period, multiplied by a factor of \$0.7012 as shown in Exhibit 1.2 of the filing. As indicated in Exhibit 1.3 of the application, for a typical customer, whose annual usage is 80 Dth, this refund will amount to about a \$41 dollar credit on their May bill. For those customers whose total credit amount due, based on their actual usage, exceeds their May 2009 actual bills, the remaining credit due will be applied to their following monthly bills until the total credit due has been realized. The Division wishes to emphasize that this application is not a request to adjust current rates but rather a

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<sup>1</sup> See Docket No. 08-057-15.

<sup>2</sup> See Docket No. 08-057-23

<sup>3</sup> See Docket No. 09-057-03

request to the PSC to grant a one-time expedited refund to customers of \$50 million dollars based on those customers actual natural gas usage from October 2008 through March 2009.

According to current projections, after the refund there will still remain an over-collected amount of approximately \$46 million. QGC has estimated that approximately \$30 million of this balance is associated with the SNG portion of the rate. In Docket No. 09-057-03, the Division supported a request of the Company to reduce the SNG amortization rate to zero and reset it on an annual basis in their Fall pass-through. During the summer months when sales volumes are low, an under collection in the SNG cost balance is likely to occur, requiring an increase in the SNG amortization rate with the Fall pass-through application. During the winter months when sales volumes are high, an over collection is likely to occur, such as currently exists, requiring a subsequent reduction in the SNG amortization rate in the following pass-through application in the spring. This cyclical pattern in the account balance, therefore, causes excess volatility in the SNG amortization. Setting the SNG amortization rate once annually with the Fall pass-through, when the account balance is relatively small, may provide for more stable rates over the year. Because the SNG costs are relatively stable and predictable (they are set by contractual rate agreements) and the current SNG amortization rate is zero, this \$30 million dollar over-collected balance will automatically decline during the summer months. QGC has also estimated, based on April's current forward price curves for the up-coming winter heating season, that, barring any unforeseen supply disruptions due to weather or other unpredictable circumstances, the remaining over-collected amount will be reduced to near zero by year end.

## **SUMMARY**

This application by QGC represents a unique situation that presented itself with the large over-collection in the 191 account balance. The Division supports this application and the one-time method chosen by QGC, in this instance, to reduce the balance in the 191.1 account by \$50 million because of the circumstances surrounding the current prices in the natural gas markets. Allowing for this one-time refund, given current projections, provides rate stability for customers, which is important to the Division since the Company just recently adjusted both the

commodity and DNG rates effective March 1, 2009 in Docket Nos. 09-057-03, 04, 05 and again on April 1, 2009 based on the order in Docket No. 07-057-13 issued February 26, 2009.

Cc:           Barrie McKay, Questar Gas Company  
              Steve Bateson, Questar Gas Company  
              John Kennedy, Questar Gas Company  
              Michele Beck, Committee of Consumer Services  
              Eric Orton, Committee of Consumer Services  
              Rea Petersen, DPU Customer Service  
              Francine Giani, Department of Commerce